

Education and Workforce Development Cabinet

Kentucky's annual unemployment rate increases to 6.4 percent for 2008

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FRANKFORT, Ky. — Kentucky's annual unemployment rate jumped from 5.5 percent in 2007 to 6.4 percent in 2008, the highest annual jobless rate in Kentucky since 1993 when it also was 6.4 percent, according to the Office of Employment and Training (OET), an agency of the Kentucky Education and Workforce Development Cabinet.

The U.S. unemployment rate climbed to 5.8 percent in 2008, making it the highest annual U.S. unemployment rate since 2003 when it was 6 percent. The U.S. annual unemployment rate was 4.6 percent in 2007.

"Over the last year, the recession took a toll on the Kentucky economy causing its annual unemployment rate to increase 0.9 percentage point to 6.4 percent. The job losses were lead by a sharp decline in industrial employment, reflecting the manufacturing slump, and significant decreases in the trade, transportation, and utilities sector, which is indicative of retrenchment by consumers," said Justine Detzel, chief labor market analyst in OET.

Kentucky tied with Oregon and Tennessee for the 11th highest annual unemployment rate among all states and the District of Columbia in 2008. Kentucky was one of 17 states plus the District of Columbia that reported annual unemployment rates above the U.S. annual rate in 2008, while 33 states were lower than the national annual average in 2008.

Annual unemployment rates declined in one state, rose in 46 states and the District of Columbia, and remained unchanged in three states from 2007 to 2008. South Dakota posted the lowest 2008 annual jobless rate in the country at 3 percent while Michigan had the highest annual rate at 8.4 percent.

In 2008, Kentucky's non-farm payroll (agriculture and self-employed jobs excluded) decreased by 12,700 to 1,854,000 employees making it the second highest number of non-farm jobs in Kentucky's history.

"This is the first time in five years Kentucky has lost jobs. A net total of 101,300 non-farm jobs have been added over the past 10 years," Detzel said.

Four of Kentucky's 11 major nonfarm job sectors listed in the North American Industry Classification System (NAICS) showed employment growth in 2008, while seven reported losses.

According to the annual employment data, educational and health services rose by 3,600 jobs in 2008 and has surged by 44,700 in the last 10 years. Within this sector, health care and social assistance industries, such as hospitals, nursing and residential care facilities and social assistance businesses, added 4,000 jobs in 2008 and have expanded by 39,800 jobs or 23 percent in the past 10 years. Educational services in this sector include employees at private elementary, secondary and postsecondary schools along with other establishments that provide instruction and training.

"General population growth and a longer life expectancy help explain the continued expansion of health care employment. In addition, as the baby boom generation ages there is an increased need for health services," said Detzel. "Health care jobs alone, excluding social assistance jobs, have grown 13,700 over the past five years."

The natural resources and mining sector increased by 1,700 jobs in 2008 and gained 1,000 jobs since 1998. Other industries included in the sector are forestry; oil and gas extraction; and support activities for mining.

“Coal mining, which makes up about 70 percent of this sector, gained 1,300 jobs in 2008. With the rise in gas prices during the first half of the year, there was an increased interest in coal and in clean-coal technology,” Detzel said.

Financial activities, a sector that includes finance and insurance, and real estate, rental and leasing, reported 900 more positions in 2008. In the last decade, the sector has expanded by 14,100 positions.

The state’s leisure and hospitality sector rose by 400 positions in 2008 and 24,300 jobs or 16 percent in the last decade with the majority in accommodation and food services businesses. Within the sector are arts, entertainment and recreation, and accommodation and food services.

“The slow rate of growth in the last year is attributed to a decline in consumer spending. Stagnant wages, rising food prices, a moribund stock market, declining home equity and mounting job losses are straining household budgets and causing consumers to splurge less on leisure activities and restaurant meals,” Detzel said.

On the down side, Kentucky’s manufacturing sector plummeted by 10,700 jobs in 2008 for a total of 245,000 positions. In the last 10 years, the manufacturing sector has reported 61,500 fewer jobs.

“This is the eighth straight year the manufacturing sector has experienced employment losses, and there was a significant uptick in the pace of job losses in 2008. Last year, manufacturing faced the largest number of jobs lost since 2002. The majority of these employment losses occurred in the durable goods subsector,” said Detzel.

Within the durable goods subsector, wood product manufacturing firms, machinery, appliances, equipment, and parts production companies, and transportation equipment establishments together accounted for the loss of 7,300 professionals.

“With the rising uncertainty regarding the health of the economy, sliding housing values and credit more difficult to obtain, consumers have become reluctant to purchase big ticket items such as automobiles. In addition to the anemic job market, quality

improvements, which extend the life of a vehicle, have curbed the demand for automobiles. The woes of the automobile industry are reverberating through Kentucky's economy with shock waves felt by employees, automobile parts suppliers, and non-manufacturing enterprises such as railroads and trucking companies faced with a reduction of cargo," Detzel said.

While most of the over-the-year job decreases were seen in the durable goods subsector, nearly all manufacturers have been hit by a constricting economy. Manufacturers of non-durable goods, such as clothing, have been detrimentally affected by consumers curtailing spending on non-necessities in an effort to cope with rising prices, said Detzel.

In the last 10 years, the manufacturing sector has shrunk by 20 percent. While the employment decrease was concentrated in the durable goods subsector, both the durable goods and non-durable goods subsectors have faced sizable employment losses in the past decade, said Detzel.

"Most of the job losses in the non-durable goods subsector occurred in the apparel industry, which has declined by 13,700 positions over the past decade and by 400 professionals in the last year. Overall, there has been an 81 percent drop in the total number of apparel industry jobs in Kentucky in the last 10 years," Detzel said.

The trade, transportation and utilities sector dropped 4,300 jobs in 2008 but added 12,700 over the past 10 years. It is the largest Kentucky sector with a total of 381,800 jobs. Within the sector, transportation, warehousing and utilities businesses decreased by 1,500 jobs, retail trade tumbled by 2,300, and wholesale trade fell by 600.

"As households retrench and rein in discretionary expenditures, retail trade enterprises have been forced to cut back. Together, trucking and warehousing and wholesale trade recorded job losses of 800 last year. The close ties between trucking and warehousing and wholesale trade were evident in 2008 as both categories suffered job losses. Trucking activity is often considered a good cyclical indicator because employment fluctuations reflect the

demand for goods. In the last year, weak demand for products resulted in reductions at transportation companies and the closing of a trucking business,” Detzel said.

Kentucky’s professional and business services, a sector that includes professional, scientific and technical services, management of companies, and administrative and support management, had 1,200 fewer jobs in 2008. This category also includes temporary help agencies that provide workers to other businesses on a contractual basis. In the last 10 years, the sector has ballooned by 37,600 jobs or 26 percent.

“Within the sector, the employment services industry plummeted by 6,400 professionals between 2007 and 2008, reflecting the recessionary economy in Kentucky. Since the temporary help industry supplies labor to a wide variety of industries, it is a good barometer of what is occurring across the labor market,” said Detzel.

The state’s construction sector had 1,200 fewer jobs in 2008. The sector has gained 600 jobs in the last 10 years. “The majority of these employment losses occurred in the construction of buildings industry. The maladies in the housing market, tighter credit delaying or halting construction projects and the closings of a residential construction firm and electrical contractors company contributed to the contraction in this sector,” said Detzel.

Other services, a sector that includes repair and maintenance; personal and laundry services; and religious, civic, and professional organizations fell by 800 jobs in 2008. It has gained 500 jobs in the last 10 years.

The government sector experienced a decrease of 800 jobs in 2008. In the last 10 years, the sector has increased by 27,900 positions.

“The over-the-year contraction in the government sector was driven by employment losses of 2,100 professionals in state government, reflecting the budget crunch facing Kentucky. In addition, there were 300 fewer positions in local government which is indicative of job cuts at elementary and secondary public schools,” Detzel said.

The information sector, which includes establishments involved in publishing, Internet activities, data processing, broadcasting and news syndication, lost 100 positions in 2008. It is down by 100 jobs compared to 1998.

The U.S. Bureau of Labor Statistics' estimate of the number of employed Kentuckians for 2008 was 1,911,240. This figure is down 12,231 from the 1,923,471 employed in 2007 but up 78,465 from 1998's total level of employment at 1,832,775.

The estimate of the number of unemployed Kentuckians for 2008 was 131,675, up 18,687 from the 112,988 unemployed in 2007 and up of 44,158 from 87,517 in 1998.

The estimate of the number of Kentuckians in the civilian labor force for 2008 was 2,042,915. This is up 6,456 from the 2,036,459 recorded in 2007 and up 122,623 persons from 1,920,292 in 1998.

Unemployment statistics are based on estimates and are compiled to measure trends rather than actually to count the number of people working. Civilian labor force statistics include non-military workers and unemployed Kentuckians who are actively seeking work. They do not include unemployed Kentuckians who have not looked for employment within the past four weeks.

Learn more about the Office of Employment and Training at www.workforce.ky.gov.